

MT LEGISLATIVE HISTORY

Chapter 712 1989

Bill H _____ S 472

Original bill & hist. ☒ C

H. Committee on Business + Economic Development S. Committee on Business + Industry

Hearing Date(s) Apr 12 ☒ C

Hearing Date(s) Apr 12 ☒ C

Apr 18 ☒ C

_____ ☐ C

Apr 19 ☒ C

_____ ☐ C

_____ ☐ C

_____ ☐ C

Date Out Apr 19 ☒ C

Apr 12 ☒ C

Did this bill originate in an interim committee? ☐ Yes ☐ No

Committee _____

Report _____

SENATE FINAL STATUS

TRUSTEES FROM FIVE TO THREE
BY REQUEST OF SENATE EDUCATION COMMITTEE

3/28	INTRODUCED		
3/28	REFERRED TO EDUCATION & CULTURAL RESOURCES		
3/29	HEARING		
3/30	COMMITTEE REPORT--BILL PASSED AS AMENDED		
3/31	2ND READING PASSED	50	0
4/03	3RD READING PASSED	50	0
TRANSMITTED TO HOUSE			
4/04	REFERRED TO EDUCATION & CULTURAL RESOURCES		
4/10	HEARING		
4/11	COMMITTEE REPORT--BILL CONCURRED		
4/12	2ND READING CONCURRED	98	0
4/13	3RD READING CONCURRED	100	0
RETURNED TO SENATE			
4/17	SIGNED BY PRESIDENT		
4/18	SIGNED BY SPEAKER		
4/18	TRANSMITTED TO GOVERNOR		
4/20	SIGNED BY GOVERNOR		
CHAPTER NUMBER 591 EFFECTIVE DATE: 10/01/89			

SB 471 INTRODUCED BY ECK
REVISE TAX EXEMPTION FOR PUBLIC PENSIONS

4/04	INTRODUCED		
4/04	REFERRED TO TAXATION		
4/05	FISCAL NOTE REQUESTED		
4/06	FISCAL NOTE RECEIVED		
4/07	HEARING		
4/08	FISCAL NOTE PRINTED		
DIED IN COMMITTEE			

SB 472 INTRODUCED BY THAYER, ET AL.
AUTHORIZE MUNICIPALITIES TO CREATE TAX INCREMENT
FINANCING INDUSTRIAL DISTRICTS
BY REQUEST OF SENATE BUSINESS & INDUSTRY COMMITTEE

4/11	INTRODUCED		
4/11	REFERRED TO BUSINESS & INDUSTRY		
4/12	HEARING		
4/12	COMMITTEE REPORT--BILL PASSED AS AMENDED		
4/14	2ND READING PASSED	31	15
TRANSMITTED TO HOUSE			
4/17	3RD READING PASSED	34	14
4/18	REFERRED TO BUSINESS & ECONOMIC DEVELOPMENT		
4/19	HEARING		
4/19	COMMITTEE REPORT--BILL CONCURRED		
4/20	2ND READING CONCURRED	82	3
4/20	3RD READING CONCURRED	89	5
RETURNED TO SENATE			
4/26	SIGNED BY PRESIDENT		
4/28	SIGNED BY SPEAKER		
5/01	TRANSMITTED TO GOVERNOR		

SB 473 INTRODUCED BY LYNCH, ET AL.

SENATE BILL NO. 472

INTRODUCED BY THAYER, LYNCH, WILLIAMS, WEEDING, MEYER,
NOBLE, BOYLAN, MCLANE

BY REQUEST OF THE COMMITTEE
ON BUSINESS AND INDUSTRY

IN THE SENATE

APRIL 8, 1989	ON MOTION, RULES SUSPENDED TO ALLOW INTRODUCTION OF SB 472.
APRIL 11, 1989	INTRODUCED AND REFERRED TO COMMITTEE ON BUSINESS & INDUSTRY. FIRST READING.
APRIL 12, 1989	COMMITTEE RECOMMEND BILL DO PASS AS AMENDED. REPORT ADOPTED. PRINTING REPORT.
APRIL 13, 1989	PASS CONSIDERATION.
APRIL 14, 1989	SECOND READING, DO PASS.
APRIL 15, 1989	ENGROSSING REPORT.
APRIL 17, 1989	THIRD READING, PASSED. AYES, 34; NOES, 14. TRANSMITTED TO HOUSE.

IN THE HOUSE

APRIL 18, 1989	ON MOTION, RULES SUSPENDED TO ALLOW LATE TRANSMITTAL. INTRODUCED AND REFERRED TO COMMITTEE ON BUSINESS & ECONOMIC DEVELOPMENT. FIRST READING.
APRIL 19, 1989	COMMITTEE RECOMMEND BILL BE CONCURRED IN. REPORT ADOPTED.

APRIL 20, 1989

SECOND READING, CONCURRED IN.

ON MOTION, RULES SUSPENDED TO PLACE
BILL ON THIRD READING THIS DAY.

THIRD READING, CONCURRED IN.
AYES, 89; NOES, 5.

RETURNED TO SENATE.

IN THE SENATE

APRIL 21, 1989

RECEIVED FROM HOUSE.

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

1 *Sen. J. H. ...* BILL NO. **472**
 2 INTRODUCED BY *Sen. J. H. ...*
 3 *Sen. J. H. ...* BY REQUEST OF THE COMMITTEE *Man*
 4 ON BUSINESS AND INDUSTRY

5
 6 A BILL FOR AN ACT ENTITLED: "AN ACT AUTHORIZING
 7 MUNICIPALITIES TO CREATE TAX INCREMENT FINANCING INDUSTRIAL
 8 DISTRICTS TO ASSIST IN FINANCING NECESSARY INDUSTRIAL
 9 INFRASTRUCTURE TO ENCOURAGE THE ATTRACTION, GROWTH, AND
 10 RETENTION OF SECONDARY, VALUE-ADDING INDUSTRIES; AND
 11 AMENDING SECTIONS 7-15-4282 THROUGH 7-15-4286, 7-15-4288,
 12 7-15-4290, 7-15-4292, 7-15-4293, 7-15-4301, 7-15-4302, AND
 13 7-15-4304, MCA."

14
 15 WHEREAS, the State of Montana wishes to encourage the
 16 attraction and retention of secondary, value-adding
 17 industrial manufacturing that uses Montana timber, mineral,
 18 oil and gas, coal, and agricultural resources in the
 19 production of products in the state; and

20 WHEREAS, secondary, value-adding industries are those
 21 industries that transform raw resources into processed
 22 substances from which industrial or consumer products may be
 23 manufactured; and

24 WHEREAS, secondary, value-adding industries, in order
 25 to be competitive in today's world economy, require

1 expensive infrastructure that is beyond the means of most
 2 Montana communities; and

3 WHEREAS, Montana law currently provides certain
 4 property tax benefits to new and expanding industries,
 5 including secondary, value-adding industries, but has little
 6 to directly encourage the development of needed industrial
 7 infrastructure to attract secondary, value-adding
 8 industries; and

9 WHEREAS, additional creative use of Montana's current
 10 tax laws could encourage increased investment in secondary,
 11 value-adding industries in the state through the use of tax
 12 increment financing for infrastructure improvements in areas
 13 in which the infrastructure would be available for
 14 secondary, value-adding industrialization.

15
 16 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

17 NEW SECTION. **Section 1.** Short title. [Sections 1
 18 through 3] may be cited as the "Tax Increment Financing
 19 Industrial Development Act".

20 NEW SECTION. **Section 2.** Legislative findings. The
 21 legislature finds and declares that:

22 (1) infrastructure-deficient areas exist in the
 23 municipalities of the state and constitute a serious
 24 impediment to the development of infrastructure-intensive,
 25 secondary, value-adding economic development in Montana;

(2) municipalities lack sufficient capital to rectify the infrastructure shortage in infrastructure-deficient areas, thus impeding the ability of municipalities to achieve economic growth through the development of secondary, value-adding industries;

(3) the creation of industrial infrastructure is a matter of state policy and state concern because the state and its municipalities will continue to suffer economic dislocation due to the lack of secondary, value-adding industries; and

(4) the state's tax increment financing laws should be used to encourage the creation of areas in which needed industrial infrastructure for secondary, value-adding industries could be developed.

NEW SECTION. Section 3. Industrial districts. (1) A local governing body, by ordinance and following a public hearing, may authorize the creation of an industrial district for industrial infrastructure development projects if the proposed industrial district:

(a) consists of a continuous area with an accurately described boundary;

(b) is zoned for light or heavy industrial use in accordance with the area master planning document;

(c) does not include any property included within an existing urban renewal area district created pursuant to

this part;

(d) is found to be deficient in infrastructure improvements for industrial development; and

(e) has as its purpose the development of infrastructure to encourage the growth and retention of secondary, value-adding industries.

(2) An industrial district may use tax increment financing pursuant to the provisions of 7-15-4282 through 7-15-4293.

Section 4. Section 7-15-4282, MCA, is amended to read:

"7-15-4282. Authorization for tax increment financing.

Any urban renewal plan, as defined in 7-15-4206, or industrial district ordinance, adopted pursuant to [section 3], may contain a provision or be amended to contain a provision for the segregation and application of tax increments, as provided in 7-15-4282 through 7-15-4292."

Section 5. Section 7-15-4283, MCA, is amended to read:

"7-15-4283. Definitions related to tax increment financing. For purposes of 7-15-4282 through 7-15-4292 and [sections 1 through 3], the following definitions apply unless otherwise provided or indicated by the context:

(1) "Actual taxable value" means the taxable value of taxable property at any time, as calculated from the assessment roll last equalized.

(2) "Base taxable value" means the actual taxable

1 value of all taxable property within an urban renewal area
2 or industrial district prior to the effective date of a tax
3 increment financing provision. This value may be adjusted as
4 provided in 7-15-4287 or 7-15-4293.

5 (3) "Incremental taxable value" means the amount, if
6 any, by which the actual taxable value at any time exceeds
7 the base taxable value of all property within an urban
8 renewal area or industrial district subject to taxation.

9 (4) "Industrial district" means a tax increment
10 financing industrial district created pursuant to [section
11 3].

12 (5) "Industrial infrastructure development project"
13 means a project undertaken within or for an industrial
14 district that consists of any or all of the activities
15 authorized by 7-15-4288.

16 (6) "Municipality", for the purpose of an industrial
17 district created pursuant to [sections 1 through 3] and
18 operating pursuant to 7-15-4282 through 7-15-4293 and part
19 43 of this chapter, means any incorporated city or town,
20 county, or city-county consolidated local government.

21 ~~(4)~~(7) "Tax increment" means the collections realized
22 from extending the tax levies, expressed in mills, of all
23 taxing bodies in which the urban renewal area or industrial
24 district or a part thereof is located against the
25 incremental taxable value.

1 ~~(5)~~(8) "Tax increment provision" means a provision for
2 the segregation and application of tax increments as
3 authorized by 7-15-4282 through 7-15-4292.

4 ~~(6)~~(9) "Taxes" means all taxes levied by a taxing body
5 against property on an ad valorem basis.

6 ~~(7)~~(10) "Taxing body" means any city, town, county,
7 school district, or other political subdivision or
8 governmental unit of the state, including the state, which
9 levies taxes against property within the urban renewal area
10 or industrial district."

11 **Section 6.** Section 7-15-4284, MCA, is amended to read:
12 "7-15-4284. Filing of tax increment provisions of
13 urban renewal plan or industrial district ordinance. (1) The
14 clerk of the municipality shall file a certified copy of
15 each urban renewal plan or industrial district ordinance or
16 an amendment thereto containing a tax increment provision
17 with the state, county, or city officers responsible for
18 assessing and determining the taxable value of taxable
19 property within the urban renewal area or industrial
20 district ordinance or any part thereof.

21 (2) A certified copy of the plan, industrial district
22 ordinance, or amendment ~~shall~~ must also be filed with the
23 clerk or other appropriate officer of each of the affected
24 taxing bodies."

25 **Section 7.** Section 7-15-4285, MCA, is amended to read:

"7-15-4285. Determination and report of original, actual, and incremental taxable values. The officer or officers responsible for assessing and determining the taxable value of the taxable property located within the urban renewal area or industrial district shall, immediately upon receipt of the tax increment provision and each year thereafter, calculate and report to the municipality and to any other affected taxing body the base, actual, and incremental taxable values of such property."

Section 8. Section 7-15-4286, MCA, is amended to read:

"7-15-4286. Procedure to determine and disburse tax increment. (1) Mill rates of taxing bodies for taxes levied after the effective date of the tax increment provision shall be calculated on the basis of the sum of the taxable value, as shown by the last equalized assessment roll, of all taxable property located outside the urban renewal area or industrial district and the base taxable value of all taxable property located within the urban renewal area or industrial district. The mill rate so determined shall be levied against the sum of the actual taxable value of all taxable property located within as well as outside the urban renewal area or industrial district.

(2) (a) The tax increment, if any, received in each year from the levy of the combined mill rates of all the affected taxing bodies against the incremental taxable value

within the urban renewal area or industrial district shall be paid into a special fund held by the treasurer of the municipality and used as provided in 7-15-4282 through 7-15-4292.

(b) The balance of the taxes collected in each year shall be paid to each of the taxing bodies as otherwise provided by law."

Section 9. Section 7-15-4288, MCA, is amended to read:

"7-15-4288. Costs which may be paid by tax increment financing. The tax increments may be used by the municipality to pay the following costs of or incurred in connection with an urban renewal project or industrial infrastructure development project:

- (1) land acquisition;
- (2) demolition and removal of structures;
- (3) relocation of occupants;
- (4) the acquisition, construction, and improvement of streets, curbs, gutters, sidewalks, pedestrian malls, alleys, parking lots and offstreet parking facilities, sewers, sewer lines, sewage treatment facilities, waterlines, waterways, water treatment facilities, public buildings, and other public improvements authorized by parts 41 through 45 of chapter 12, parts 42 and 43 of chapter 13, and part 47 of chapter 14 and items of personal property to be used in connection with improvements for which the

foregoing costs may be incurred; and

(5) costs incurred in connection with the redevelopment activities allowed under 7-15-4233;

(6) acquisition of infrastructure-deficient areas or portions thereof;

(7) administrative costs associated with the management of the industrial district;

(8) assemblage of land for development or redevelopment by private enterprise or public agencies, including sale, initial leasing, or retention by the municipality itself at its fair value;

(9) the compilation and analysis of pertinent information required to adequately determine the infrastructure needs of secondary, value-adding industries in the industrial district;

(10) the connection of the industrial district to existing infrastructure outside the industrial district."

Section 10. Section 7-15-4290, MCA, is amended to read:

"7-15-4290. Use of property taxes and other revenues for payment of bonds. (1) The tax increment may be pledged for the payment of revenue bonds issued for urban renewal projects or industrial infrastructure development projects or of general obligation bonds, revenue bonds, or special assessment bonds issued to pay urban renewal costs or

industrial infrastructure development costs described in 7-15-4288 and 7-15-4289. Any municipality issuing such bonds may, by resolution of its governing body, enter into a covenant for the security of the bondholders, detailing the calculation and adjustment of the tax increment and the taxable value on which it is based and, after a public hearing, pledging or appropriating other revenues of the municipality, except property taxes prohibited by subsection (2), to the payment of such bonds if collections of the tax increment are insufficient.

(2) No property taxes, except the tax increment derived from property within the urban renewal area or industrial district and tax collections used to pay for services provided to the municipality by an urban renewal project or an industrial infrastructure development project, may be applied to the payment of bonds issued pursuant to 7-15-4301 for which a tax increment has been pledged."

Section 11. Section 7-15-4292, MCA, is amended to read:

"7-15-4292. Termination of tax increment financing. (1) The tax increment provision shall terminate upon the later of:

(a) the 10th year following its adoption or, if the tax increment provision was adopted prior to January 1, 1980, upon the 12th year following adoption; or

(b) the payment or provision for payment in full or discharge of all bonds for which the tax increment has been pledged and the interest thereon.

(2) Any amounts remaining in the special fund or any reserve fund after termination of the tax increment provision shall be distributed among the various taxing bodies in proportion to their property tax revenues from the district.

(3) After termination of the tax increment provision, all taxes shall be levied upon the actual taxable value of the taxable property in the urban renewal area or the industrial district and shall be paid into the funds of the respective taxing bodies.

(4) No bonds with tax increment provisions for the repayment thereof may be issued subsequent to the 10th anniversary of tax increment provisions adopted after January 1, 1980, and the 12th anniversary of tax increment provisions adopted prior to January 1, 1980."

Section 12. Section 7-15-4293, MCA, is amended to read:

"7-15-4293. Adjustment of base taxable value following change of law. If the base taxable value of an urban renewal area or an industrial district is affected after its original determination by a statutory, administrative, or judicial change in the method of appraising property, the

tax rate applied to it, the tax exemption status of property, or the taxable valuation of property if the change in taxable valuation is based on conditions existing at the time the base year was established, the governing body of the municipality may request the department of revenue or its agents to calculate the base taxable value as it would have been on the date of the original determination had the change been in effect on that date. The governing body may adjust the base taxable value to that value reported by the department of revenue, under the provisions of 7-15-4287."

Section 13. Section 7-15-4301, MCA, is amended to read:

"7-15-4301. Authorization to issue urban renewal bonds, industrial infrastructure development bonds, and refunding bonds. (1) A municipality shall have the power to:

(a) issue bonds from time to time in its discretion, to finance the undertaking of any urban renewal project or industrial infrastructure development project under this part and part 42, including, without limiting the generality thereof, the payment of principal and interest upon any advances for surveys and plans for urban renewal projects and industrial infrastructure development projects; and

(b) issue refunding bonds for the payment or retirement of such bonds previously issued by it.

(2) Such bonds shall not pledge the general credit of

the municipality and shall be made payable, as to both principal and interest, solely from the income, proceeds, revenues, and funds of the municipality derived from or held in connection with its undertaking and carrying out of urban renewal projects or industrial infrastructure development projects under this part and part 42, including the tax increment received and pledged by the municipality pursuant to 7-15-4282 through 7-15-4292, and, if such income, proceeds, revenues, and funds of the municipality are insufficient for such payment, from other revenues of the municipality pledged to such payment. Payment of such bonds, both as to principal and interest, may be further secured by a pledge of any loan, grant, or contribution from the federal government or other source in aid of any urban renewal projects or industrial infrastructure development projects of the municipality under this part and part 42 or by a mortgage on all or part of any such projects.

(3) Bonds issued under this section shall be authorized by resolution or ordinance of the local governing body."

Section 14. Section 7-15-4302, MCA, is amended to read:

"7-15-4302. Authorization to issue general obligation bonds. (1) For the purpose of 7-15-4267 or for the purpose of aiding in the planning, undertaking, or carrying out of

an urban renewal project or an industrial infrastructure development project of a municipality, the municipality, in addition to any authority to issue bonds pursuant to 7-15-4301, may issue and sell its general obligation bonds.

(2) Any bonds issued pursuant to this section shall be issued in the manner and within the limitations prescribed by the laws of this state for the issuance and authorization of bonds by such municipality for public purposes generally.

(3) Aiding in the planning, undertaking, or carrying out of an approved urban renewal project or an industrial infrastructure development project is considered a single purpose for the issuance of general obligation bonds, and the proceeds of the bonds authorized for any such project may be used to finance the exercise of any and all powers conferred upon the municipality by this part and part 42 which are necessary or proper to complete the project in accordance with the approved plan or industrial district ordinance and any modification thereof duly adopted by the local governing body."

Section 15. Section 7-15-4304, MCA, is amended to read:

"7-15-4304. Presumption of regularity of bond issuance. In any suit, action, or proceeding involving the validity or enforceability of any bond issued under this part and part 42 or the security therefor, any such bond

1 reciting in substance that it has been issued by the
2 municipality in connection with an urban renewal project or
3 industrial infrastructure development project as herein
4 defined shall be conclusively deemed to have been issued for
5 such purpose and such project shall be conclusively deemed
6 to have been planned, located, and carried out in accordance
7 with the provisions of this part and part 42."

8 NEW SECTION. **Section 16.** Codification instruction.
9 [Sections 1 through 3] are intended to be codified as an
10 integral part of Title 7, chapter 15, part 42, and the
11 provisions of Title 7, chapter 15, part 42, apply to
12 [sections 1 through 3].

-End-

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

HOUSE COMMITTEE ON BUSINESS & ECONOMIC DEVELOPMENT

Call to Order: By Sen. Thayer, on April 12, 1989, at 10:00 a.m.

ROLL CALL

Members Present: All with the exception of:

Members Excused: None

Members Absent: Reps. Glaser and Thomas

Staff Present: Sue Pennington

Announcements/Discussion: Rep. Pavlovich said this is a joint committee meeting with the Senate Business & Industry Committee.

HEARING ON SENATE BILL 472

Presentation and Opening Statement by Sponsor:

Sen. Gene Thayer said that because it is getting late in the session and the bill was introduced late, this is a good way for both committees to save time and speed this bill on its way, hopefully. Since I am going to be the person carrying this bill I will turn this hearing over to Rep. Pavlovich. This bill has been put together over a period of approximately 1 year. Even though it was introduced late, it is not something that was dreamed up in the last week or two. This legislation is patterned somewhat after the tax increment legislation that was adopted about 10 years ago. I'm not sure how many communities adopted this. The city of Great Falls did. This act would allow the same sort of thing for industrial parks.

Testifying Proponents and Who They Represent:

Evan Barrett, Executive Director, Butte/Silver Bow Corp.
Dr. Dennis Winters, MT Marketing Development
Kay Foster, City of Billings
Sen. J.D. Lynch, Butte
Alex Hansen, MT League of Cities & Towns
Jim Tutwiler, MT Chamber of Commerce
Rob Morwick, Missoula Chamber of Commerce

Proponent Testimony:

Mr. Barrett said this bill is designed to meet a real need we have in Montana to help develop our economy. We have

worked on this bill for quite some time. We did not want to bring a bill forward that was not ready. We worked with economic development groups, chamber of commerces, cities, tax increment experts, and bond council trying to put together a good solid bill. How we can be competitive in the economic world today is a serious issue. For every 1,000 industrial expansions in this country that happen, there are 15,000 communities competing for those expansions. That places any community's odds at 15-1 to start getting any industrial expansion. Competing is very difficult. As we tried to envision how to develop the economy in Montana there are only a few ways you can do it. What we are talking about is primary jobs, bringing money in from the outside. That is economic growth, passing the same dollars around is not economic growth. The alternatives we have are: a lot more people on retirement, have a lot of transfer payments come in, we welcome that as a mode to bring money from the outside, maybe become a hi tech heaven- this is more likely to be around MIT. The real opportunities for economic growth in Montana are built around our resources; energy-oil and gas, hard-rock mining, forest products, agriculture. These are our resource bases, that is our opportunity for growth. We have options on creating more money for Montana through those resources. There are basically two approaches to it: simply produce more, cut more trees, dig more coal, sell it if we can, do more mining and so on. Sometime we will run into the supply and demand factor. We can produce more or we can do more with those resources. That gets to the concept of value adding. Value adding is a simple concept but very complex to accomplish. We are talking about doing more with these resources before they leave the state. Secondary and third level production on these resources. The intention of this bill is to provide the mechanism whereby Montana communities can create a platform for growth if you will. Something that sets them up so that they are prepared for the growth, so they can attract these value adding industries. Value adding industries require intense capital, at least the secondary industries which this is focusing on, require intense levels of capital. They require significant infrastructure. You don't bring an Anheuser Busch thing in here unless you have a piece of property that has everything they need right there. Butte thinks Anheuser should go to Billings, everything they would need is right there. Most communities are not blessed with the infrastructure in place that attracts secondary value adding industries. This bill is designed to give them the vehicle for doing it. The bill is an expansion of the uses and taxes from financing so that you can utilize the taxes and financing not only for uptown and downtown blight but for what is the current biggest need in Montana, which is economic development. You can do it by focusing on infrastructure development. That is why we are supporting this bill. It will allow a local community to find an area along the railroad track that is a good starting point because of the transportation concerns. If

they have 200 acres but lack infrastructure, the local government can define that 200 acres as tax increment district. Then the trick is to get your anchor tenant in that district along the railroad. They begin paying property taxes, these taxes then are used within the district for putting in water lines, sewer lines, curbs, roads, spurs to the railroad track, things that are necessary to attract secondary value adding industry. The money also, according to the bill, will provide a little for administration, some could be utilized doing feasibility studies for industrialization in that district. One of our current shortfalls is feasibility money, no one has it more. Lastly it provides for the opportunity for direct assistance. It also allows the bonding provision of the tax increment bond to be used for these same purposes. There are two amendments which are necessary and I have copies for each of you and I will explain them.

Dr. Winters said that all communities have just one question: are we going to survive? That is all they are asking. They ask can we add value to our resources here, can we create jobs? I want to present a concept in value adding as clearly as possible. How do we add value? Our resources are mining, forest products, and agriculture. We need to develop secondary businesses here in Montana for our resources. Right now we mine talc, phosphate, and copper; we need businesses in Montana to produce goods from these resources so they don't leave the state to be produced.

Ms. Foster said she was representing Billings Chamber of Commerce, Yellowstone County Economic Office, and the City of Billings. Mr. Barrett presented this plan to all three groups within the last two weeks. They are very supportive of the concept.

Sen. Lynch said he thinks this is a good way to increase our communities' economy. I urge the committees to support this bill.

Mr. Hansen said his organization supports this bill. Tax increments work; you look at Butte and Billings, there is the proof it works.

Mr. Tutwiler said his organization supports this bill. The point has been made by the other speakers that the need is there and that this program will work for Montana.

Mr. Morwick said Missoula supports this bill. Value adding is the way to the future for Montana and we would like to see it helped along in any way possible.

Testifying Opponents and Who They Represent:

Julie Hacker, Missoula

Opponent Testimony:

Ms. Hacker said her group consists of taxpayers and we pay the bills and we are also privately funded and organized on our own. We are opposed to SB 472. It is robbing Peter to pay Paul. Do you believe that taxes assessed and collected for certain purposes should be used for other purposes than those for which they were collected? Various people pleading for more money include local government, schools, public employees, anybody who has anything to do with receiving tax money is asking for more. Tax increment financing compounds the problem and increases the tax growth on the individual taxpayers in our local communities. We understand and believe that the added value concept is essential to our state's economy. But tax increment funding is not the way to achieve that goal because it diverts funds from already established agencies into a new agency. We believe that economic development projects should stand on their own and that it is an obligation of this legislature to set up a situation in the state of Montana that will make this place attractive to businesses. We feel that if the business and industry people of the state are concerned that perhaps it is high time that the legislature of the state of Montana uses the investment that we have been saving for our future now. By that I mean to appropriate and grant money for infrastructure in our local communities for the purpose of economic development from the Coal Tax Trust Fund. Ladies and gentlemen, I submit to you the future of Montana is now. I hope that you defeat this bill and give due consideration to using some coal tax money for infrastructure and economic development in Montana.

Questions From Committee Members: Rep. Simon asked Ms. Hacker if she understood that Section 8 refers to the taxable value, increasing the taxable value, the same amount of tax will be collected, the incremental money is what goes for tax paid above and beyond the old taxable value. The cities and counties will not lose a dime of the present taxes. Do you understand that? Ms. Hacker said that our position is that a project should be able to stand on its own and within 5 years should be 100 percent back on tax rolls.

Rep. Hansen asked Mr. Barrett if tax increment money is to produce more taxes within that increment district? Mr. Barrett said yes. Mr. Barrett said the funds would have to be used for economic infrastructure development projects within the district or for the district.

Rep. Hansen asked Mr. Barrett how long the increment money lasts? He said the statute is a 10 year statute unless it can be extended by bonding.

Rep. Wallin said Mr. Barrett had been talking about industrial parks and I think mostly of warehouses in industrial parks. I don't see that they add value to

property. So I guess that is my question. Mr. Barrett said they don't now and that is one of the problems. For example, we have an industrial park in Butte, it is a light industry type. We need some heavy industry, but it is not just the people that have it already, it is the people that don't have it. We don't have value adding just because of the issue do you have an industrial park. We have a number of reasons that we need to go after to do value adding in a rational way. One of the tools and a critically important one is to have the infrastructure. Most communities are not positioned for growth for that. We have the primary industry, but we need to get into the secondary industry for value adding and the light and supporting industry. The secondary industry requires intense infrastructure.

Rep. Simon asked Mr. Barrett if we have any zoning that is not light or heavy industrial in the state of Montana? Mr. Barrett said we have many different zones. Do you mean other industrial ones? Rep. Simon said on page 3 it says zoned light or heavy industrial. Do we have other types of industrial zoning beyond that? If it is zoned for industrial use the words light and heavy are needless words. Mr. Barrett said if you sought to amend that to just say zoned for industrial use would not bother me. Rep. Simon said this is just technical on my part, but they seem unnecessary. Rep. Simon asked Mr. Barrett if the various projects that can be allowed under this particular form of financing on pages 8 and 9, number 1 is planned acquisition, number 6 is acquisition of infrastructure deficient areas or portions thereof and number 8 is assemblage of land development so on so forth. They all sound like land acquisition to me, I am trying to understand the difference between land acquisition and acquisition of infrastructure deficient areas or portions thereof is. What is the difference? Mr. Barrett said there is no real significant difference between number 1 and number 6. The reason was, when it was drafted, it was going to stand alone as a section of law and there was reason for it to be stated that way. But since then it has been melded in with the existing statutes. So 6 is essentially a replication of 1. Number 8 is different. It basically allows the local governments to assemble land for development and then resell it, either keep it and lease it, it gives some powers, basically similar to chapter 42, which are not shown in this bill. It makes it clear that land assemblage by a local government could be done.

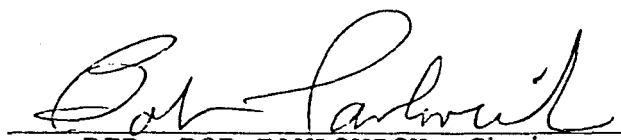
Closing by Sponsor: Sen. Thayer said we have had a good hearing on this bill and I appreciate the House members coming here to hear this bill. Specifically I want to say that we have support from the Gallatin Development Corporation and Great Falls Chamber of Commerce. If we do nothing and don't pass a bill like this we will be standing still. I think if that empty piece of land is bringing in nothing that is all it is going to bring in for a long time. I appreciate the

concerns of Ms. Hacker's group. I don't want to take away the concerns they have but the fact of the matter is you are getting nothing now. There is nothing wrong with the plans to set up this kind of vehicle to attract an industry to be the anchor. This is getting somebody to be the anchor to get the ball rolling and then with the additional increments as things develop, use that to attract more businesses and people. If this bill passes we will have a vehicle that will bring in and start some small businesses like the gentleman in eastern Montana making silver belt buckles. He now employs 90 people. That is incredible. We have many raw products here in Montana with which we can do the same thing. I think we can have a lot of companies employing 10 to 20 people. That is where the action is going to be. I recommend this bill and also ask the committee to adopt the amendments that were passed out. There were other recommendations made but I don't know how critical they were. We will discuss them in executive action.

Rep. Pavlovich thanked the Senate Business & Industry Committee for asking the House Business & Economic Development Committee to participate in this joint hearing. We can't do anything in our executive action unless this bill gets out of the Senate and we have to suspend the rules. We will wait until that time comes up. The House members are adjourned.

ADJOURNMENT

Adjournment At: 11:10 a.m.



REP. BOB PAVLOVICH, Chairman

BP/sp

8203.min

DAILY ROLL CALL

BUSINESS & ECONOMIC DEVELOPMENT COMMITTEE

51th LEGISLATIVE SESSION -- 1989

Date

NAME	PRESENT	ABSENT	EXCUSED
PAVLOVICH, BOB	X		
DeMARS, GENE	X		
BACHINI, BOB	X		
BLOTKAMP, ROB	X		
HANSEN, STELLA JEAN	X		
JOHNSON, JOHN	X		
KILPATRICK, TOM	X		
MCCORMICK, LLOYD "MAC"	X		
STEPPLER, DON	X		
GLASER, BILL	X		
KELLER, VERNON	X		
NELSON, THOMAS	X		
SIMON, BRUCE	X		
SMITH, CLYDE	X		
THOMAS, FRED	X		
WALLIN, NORM	X		
PAUL VERDON	X		

4/12/89

Amendments to Senate Bill No. 472
First Reading Copy

Requested by Evan Barrett
For the Committee on Business and Industry

Prepared by Mary McCue
April 12, 1989

1. Page 9, line 17.

Following: "district"

Insert: "; and

(11) the provision of direct assistance to secondary, value-adding industries to assist in meeting their infrastructure and land needs within the industrial district"

2. Page 9, line 21.

Following: "increment"

Insert: "derived from an urban renewal area"

3. Page 9, line 23.

Strike: "or industrial infrastructure development projects"

4. Page 9, line 25 to page 10, line 1

Strike: "or industrial infrastructure development costs"

5. Page 10, line 2.

Following: "7-15-4289."

Insert: "The tax increment derived from an industrial district may be pledged for the payment of revenue bonds issued for industrial infrastructure development projects or of general obligation bonds, revenue bonds, or special assessment bonds issued to pay industrial district costs described in 7-15-4288 and 7-15-4289."

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON BUSINESS & ECONOMIC DEVELOPMENT

Call to Order: By Chairman Pavlovich, on April 18, 1989, at 2:00 p.m.

ROLL CALL

Members Present: All except:

Members Excused: None

Members Absent: Reps. McCormick and Wallin

Staff Present: Paul Verdon, Legislative Council
Terri Dore, Committee Secretary

Announcements/Discussion: Chairman Pavlovich said that if HB 472 is returned to the House from the Senate, there will be a short hearing to decide on the bill.

HEARING ON SENATE JOINT RESOLUTION 21

Presentation and Opening Statement by Sponsor:

Senator Mike Halligan, District 29, stated that Montana has virtually every tax incentive, tax deduction and tax credit that every other state has. It is unknown what among them is working. The Revenue Oversight Committee was going to do a study four years ago but they never received funding. Sen. Halligan is proposing that the Revenue Oversight Committee or the appropriate committee study the existing economic development incentives that are present in Montana law and find out if they are necessary in a rural state such as Montana.

Testifying Proponents and Who They Represent:

None

Proponent Testimony:

None

Testifying Opponents and Who They Represent:

None

Opponent Testimony:

DAILY ROLL CALL

BUSINESS & ECONOMIC DEVELOPMENT COMMITTEE

51th LEGISLATIVE SESSION -- 1989

Date

4/18/89

NAME	PRESENT	ABSENT	EXCUSED
PAVLOVICH, BOB	X		
DeMARS, GENE	X		
BACHINI, BOB	X		
BLOTKAMP, ROB	X		
HANSEN, STELLA JEAN	X		
JOHNSON, JOHN	X		
KILPATRICK, TOM	X		
MCCORMICK, LLOYD "MAC"			
STEPPLER, DON	X		
GLASER, BILL			
KELLER, VERNON	X		
NELSON, THOMAS	X		
SIMON, BRUCE	X		
SMITH, CLYDE	X		
THOMAS, FRED	X		
WALLIN, NORM			
PAUL VERDON	X		

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON BUSINESS & ECONOMIC DEVELOPMENT

Call to Order: By Chairman Pavlovich, on April 19, 1989, at
11:05 a.m.

ROLL CALL

Members Present: All

Members Excused: None

Members Absent: None

Staff Present: Paul Verdon, Legislative Council
Terri Dore, Committee Secretary

Announcements/Discussion: None

HEARING ON SENATE BILL 472

Presentation and Opening Statement by Sponsor:

Sen. Gene Thayer, District 19, stated that this bill amend the current statute regarding tax increments for the benefit of downtown redevelopment districts. This bill takes the same idea and applies it to industrial parks. Opposition was received in the Senate because it was felt that one community would have an unfair advantage over existing parks that are not fully occupied and struggling financially. Another concern in the Senate was that there was not a clear cut stopping point and it might erode some of the tax base. An amendment has been prepared but Sen. Thayer did not feel that the bill would be passed this session if it was amended from its present form given time restraints.

Testifying Proponents and Who They Represent:

Evan Barrett, Executive Director, Butte Local Development Corporation
Kay Foster, Billings Chamber of Commerce and City of Billings
Alec Hansen, Montana League of Cities and Towns
Laurie Shadoan, Bozeman Chamber of Commerce, City of Bozeman and Gallatin Development
Grace Edwards, Yellowstone County Commission
Ray Gulick, self
Phil Campbell, Montana Education Association

Proponent Testimony:

Evan Barrett stated that this bill would attract secondary value added industry. Added value resources comes in incremental steps. The first step is go beyond the primary production into secondary value added industry and then into light support industries. Municipalities do not have the infrastructure and capital required to build these industries. This bill would provide incentives for this development.

Kay Foster expressed the support of the Billings Chamber and the City of Billings. There are value added industries that want to relocate in Montana but the costs are extraordinarily high.

Alec Hansen supports this measure because tax increment financing has worked well for downtown development. The incremental value increases the taxes collected on that property.

Laurie Shadoan urged support for this bill and added that Bozeman is considering using the measure in a project already underway.

Grace Edwards expressed support for this bill.

Ray Gulick supports this measure. EXHIBIT 1.

Phil Campbell stated that his organization supports the concept of this measure but would like to see the bill amended. When the increment period is expired and an extension is granted, the taxing jurisdiction, i.e., the schools, should have a voice in the extension of that concept. There has been a case recently in Great Falls where an extension was granted but the taxing jurisdiction did not benefit from the increased taxable value because of the extension.

Testifying Opponents and Who They Represent:

None

Opponent Testimony:

None

Questions From Committee Members: Rep. Wallin asked Sen. Thayer if the bill could be amended from "district" to "area". Sen. Thayer responded that present law prevents districts from overlapping. The bill is tailored to economic development and should not be used for general development such as housing. Mr. Barrett added that he did not see how that bill could be used for such development because of present law.

Rep. Simon asked Sen. Thayer how value added industry could be separated from non-value added. Sen. Thayer said that it would not be possible. There is no reason to turn away

other business. Many of the spin-off businesses may not be value added. This bill is a vehicle intended for building industry in Montana but no one should be excluded. Rep. Simon asked Sen. Thayer if this bill would be unfair competition to existing industrial parks. Sen. Thayer said that he did not see that as a problem because any parks that are not full at this time, those municipalities would be reluctant to create another park. Mr. Barrett added that the key point is that the local government would be creating the district and they would probably not create another but it would be local policy.

Rep. Simon asked Sen. Thayer if there was any way to prevent existing parks from creating a smaller one within their boundaries and freezing their tax base. Sen. Thayer said that those parks could use the increment under this bill. Mr. Barrett added that many parks would be bound by requirements from their bonding company.

Rep. Hansen stated that an industrial park would be inappropriate in the midst of the downtown redevelopment. Sen. Thayer stated that the parks could not overlap. The same method of financing is being used but it cannot be created in those districts.

Rep. Wallin asked Sen. Thayer if a shopping center could be created by the use of the tax increment system. Sen. Thayer stated that it might be able to be done but it would be complicated. Zoning usually would have be light or heavy industrial. Rep. Dave Brown added that it would be terribly difficult with the zoning requirements of this bill.

Rep. Hansen stated that hotels and other industry could also be appropriate. Rep. Brown responded that they could be but would probably not be the first industry but would be added later.

Closing by Sponsor: Sen. Thayer closed.

DISPOSITION OF SENATE BILL 472

Motion: Rep. Thomas moved that Senate Bill 472 BE CONCURRED IN.

Discussion: Rep. Simon remarked that he was in favor of amending the bill to add a clear stopping point and to assure that the taxing jurisdiction would benefit from the system. Rep. Thomas stated that it is not the role of the schools to set tax policy. Rep. Glaser responded that the school would not get the funds. Rep. Simon stated that \$2 of every \$3 goes to the schools and this bill might increase the total number of dollars available.

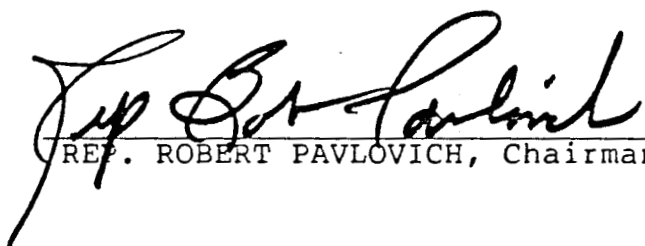
Amendments, Discussion, and Votes: None. The amendment was discussed but it was felt that the bill would die if amended because it could not get through both house before the end

of the session. It will be possible to amend the bill in the next session.

Recommendation and Vote: The motion that Senate Bill 472 BE
CONCURRED IN CARRIED with Reps. Glaser and Steppler
opposing.

ADJOURNMENT

Adjournment At: 11:50 a.m.



REP. ROBERT PAVLOVICH, Chairman

RP/td

8811.min

VISITORS' REGISTER

House Bus. & Econ Dev

COMMITTEE

BILL NO.

472

DATE

4/19/89

SPONSOR

Senate B & I Committee

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Gwen Bennett	Butte local Dev -	✓	
Ray Gulick	Joplin mT	✓	
Kay Foster	Billings ^{Chamber City}	✓	
Charles R. Brooks	MT. Rpt Nat Assoc	✓	
John Asay	Billings	✓	
Phil Campbell	MEA		
Gordon Morris	MAA		
DAVE Brown	HD #72	✓	
Laurie Shadon	Bozeman ^{Chamber City} Golden Dev.	472 ✓	
Bela Kuman	MLCT	✓	
Craig Gailus	BSB	✓	
Dore Edwards	Yellowstone Co.	✓	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

STANDING COMMITTEE REPORT

April 19, 1989

Page 1 of 1

Mr. Speaker: We, the committee on Business and Economic Development report that SENATE BILL 472 (third reading copy - blue) be concurred in .

Signed: Robert Pavlovich
Robert Pavlovich, Chairman

[REP. _____ WILL CARRY THIS BILL ON THE HOUSE FLOOR]

Bill 472
Ray Gulick
Diplom int. 595'31
DATE 4/19/59
HB SB 472

We've got to do something.
Montana economy seems
to be floundering.

Everyone else is
getting the jobs - the
coastal areas & Foreign.

Stimulate whatever
you can but realize
we're floundering.

R.

MINUTES

MONTANA SENATE 51st LEGISLATURE - REGULAR SESSION COMMITTEE ON BUSINESS AND INDUSTRY

Call to Order: By Chairman Gene Thayer, on April 12, 1989,
at 10:00 a.m., room 312-2, State Capitol

ROLL CALL

Members Present: Chairman Thayer, Vice Chairman Meyer,
Senator Boylan, Senator Noble, Senator Williams,
Senator Hager, Senator McLane, Senator Weeding,
Senator Lynch

Members Excused: None

Members Absent: None

Staff Present: Mary McCue, Legislative Council

Announcements/Discussion: Chairman Thayer called to order,
a joint hearing, for SB 472, of the House Business and
Economic Committee and the Senate Business and Industry
Committee. Chairman Thayer asked House Chairman
Pavlovich to preside, while he presented the bill.

HEARING ON SENATE BILL 472

Presentation and Opening Statement by Sponsor: Senator
Thayer, Senate District 19, stated SB 472 was the
result of more than a year's work. He said various
development communities around the state had been
working on the bill, including Butte, Anaconda, Great
Falls, and Billings. He said the legislation was
patterned after the tax increment legislation that was
adopted about 10 years ago. He stated the bill was an
act authorizing municipalities to create tax increment
financing industrial districts to assist in financing
necessary industrial infrastructure to encourage the
attraction, growth, and retention of secondary, value-
adding industries. He said, in the interest of time,
he would turn the testimony over to those who would
explain the workings of the bill.

List of Testifying Proponents and What Group They Represent:

Evan Barrett - Executive Director, Butte Local
Development Corporation
Butte-Silver Bow Chamber of Commerce
Dr. Dennis Winters - Montana Marketing Development
Kaye Foster - Billings Chamber of Commerce
Yellowstone County Economic Development Offices
City of Billings
Senator J.D. Lynch - Senate District 54, Butte, Silver
Bow, Anaconda, and Deer Lodge
Alex Hanson - League of Cities and Towns
Jim Tutwiler - Montana Chamber of Commerce
Rob Morawick - Missoula Chamber of Commerce

List of Testifying Opponents and What Group They Represent:

Julie Hacker - Missoula County Freeholders Association

Testimony: Evan Barrett thanked the two committees for suspending the rules, and hearing this bill jointly. He said they had worked long and hard with economic development groups, the chambers of the cities, with tax increment experts, and with the bond councils to develop this bill. He said the bill was designed to meet a real need which existed in Montana. He said the question was, how Montana could be competitive in the economic world today, and it was a serious issue. He said, that for every 1,000 industrial expansions taking place in the country, there were 15,000 communities competing for those expansions. He stated, when trying to envision how to develop Montana economy, there were a only few ways we could accomplish it. He cited the primary job, was to bring money, into Montana, from the outside. He termed that function as what economic growth truly was. He said they had reviewed the alternatives available.

Mr. Barrett said our real opportunities for economic growth were built around our natural resources; energy, oil, gas, mining, and forest products. He termed the options were in how to create more money for Montana with those resources. He said we could simply produce more, but supply and demand would become a factor. He stated the other alternative, was to do more with the resources. He said that brought the value adding concept, and SB 472 provided the mechanism whereby Montana could structure for attracting value adding industries. He said secondary value adding industries required intense capital and significant infrastructure. He said the

state could create a platform for growth, by preparing a piece of property to have everything needed, right there. He said most Montana communities were not blessed with the infrastructure in place, and this bill was designed to give a vehicle for developing that infrastructure.

Mr. Barrett said the bill was simply an expansion of the use of taxable increment financing. He said Montana's current biggest need was economic development, and it could be provided through a focus on infrastructure development. He stated SB 472 would allow local communities to locate an area, define it as a tax increment district, and acquire an anchor tenant to create a property tax base. He described the next step as reapplying the property tax to the necessary development, of the designated district, to be used in attracting secondary value adding industries. Within the bill, the money would provide for administration, and feasibility studies of industrialization within that district. He said the bill also provided for the opportunity for direct assistance. He said the tax increment financing of the district allowed a capacity for the community to apply direct assistance if they wished. The bill contained a section describing the uses of tax increment funding. He said the bill allowed bonding provisions for the tax increment law, to be used for the same development purpose.

Mr. Barrett offered amendments to the bill. (See Exhibit #1) He said he believed the bill would help communities compete for value added businesses. He said this was a needed economic development tool for our state, and urged passage of the infrastructure development plan.

Dr. Dennis Winters said his travels around the state had always brought one same question, as to whether they were going to survive? He said they also asked if they could add value to their resources here, and create jobs. He said he wanted to present the concept of value added so everyone could have the same basic concept.

He asked if anyone knew of any place in the world, which had as many resources as Montana? He stated we had more resources than almost any other place in the world. He said we had to take our resources, and turn them into manufactured products. He said we had the talc for paper, clothing, silverware, ceramics, and plastics, and we were not producing those products in

Montana. He said Montana had to take over the process of diversifying, and developing an economic force of our own. He said every secondary business we developed, could employ people. He said we produced cattle, pigs, and sheep, but there currently wasn't a packing plant in the state, so all of the secondary products were being produced somewhere else. He said we wouldn't have a packing plant, because there wasn't a tendency for a plot in the state, to commit to develop one. He said the secondary business development was necessary for developing a market in Japan, because they weren't interested in buying from us, until the meat was cut up. He said that if we wanted to keep people in Montana, they had to invest in the secondary infrastructure. He said we had to build a secondary infrastructure before we could attract secondary industry. He stated that came in the form of sewer systems, electrical lines, sanitation treatment plants, and all the necessities for business. He stated SB 472 tried to give local communities the opportunity to add value to industry, by providing a pot of money to begin from.

Kaye Foster said Mr. Barrett had presented his plan before all of the groups she was representing, and they were enthusiastically supporting the concept proposed in SB 472.

Senator J.D. Lynch said he wanted to echo the appreciation Mr. Barrett expressed to the Senate Business and Industry Committee, and Chairman Thayer. He said he saw SB 472 as a very viable option for increasing Montana's economy, and asked the committee to find favor with the bill.

Alex Hanson said they supported the bill. He said the bill expanded the tax increment plans in urban renewals for industrial development, which was very critical. He said that if you looked at tax increment finances around Montana, they proved themselves as working. He said they raised the value of the tax increments. He said the improved tax value in those districts would improve all tax levels in the state, and result in better towns. He said the bill answered some needs in Montana today, because infrastructure played a vital role in the creation of jobs and the development of industry.

Mr. Hanson spoke of legislatures interim study of infrastructure, endorsed two years ago. He said they had a speaker from North Carolina who said one of the

key ingredients for development was the ability to provide infrastructure. Some of the larger companies had come to North Carolina and said that if the state could provide the basic infrastructure they needed, the companies would locate in North Carolina. North Carolina provided the necessary infrastructure, and has moved from one of the poorer developed areas, to where their property and their state is booming. Mr. Hanson said he thought we had to try duplicating that performance in Montana, and he felt SB 472 was a very important first step in that direction.

Jim Tutwiler said they strongly supported any initiative which encouraged and fostered value added development. He gave some statistics that measured the amount of growth in value added economies, in competing states and Montana. He said that during a ten year period, from 1977-1986, the map of growth in value added industry for Washington State was a plus 74%, in Idaho it was a plus 82%, in North Dakota it was a plus 50%, in South Dakota it was a plus 124%, in Montana it was a plus 13%. He stated the comparison made it clear that Montana needed to increase that growth, and SB 472 offered that possibility.

Rob Morawick said they wanted to lend their support of SB 472, they thought value added was the way of the future in the state. He said they would like to help it along in any way possible.

Julie Hacker said they were a group of tax payers who stood opposed to SB 472. She read exhibit #5 into the record. She said they understood and believed that the added value concept was essential to the state's economy, but tax increment financing was not the way to achieve that goal, because it diverted funds from other agencies that were already established. She said they believed economic development projects should stand on their own, and be fully on the tax rolls within a five year period. She asked for a no vote for SB 472.

Questions From Committee Members: Senator Lynch said they had 200 acres in Butte which was not paying any taxes. He said the way to attract business was to have that sewer line in, and the water line in. By attracting new business your whole tax structure would be improved. He asked if she didn't feel that eventually, by getting new business, it would reduce her taxes by getting more new people paying taxes? Mrs. Hacker said, through this bill the tax increment district could go for ten or twelve years, but once they have

sold bonds, that money was tied up indefinitely until the bonds were retired. She said she believed the problem was bigger than any small solution, and she thought the bill was a small solution. She said it was not the answer to Montana's problems. She said they supported economic development, but she felt they were taking money collected for one purpose, and using it for another.

Representative Simon asked Julie Hacker if she understood that Section 8 referred to increasing the taxable value, so the amount of money paid to the school districts, and all the other services, was the same amount of taxes that had always been collected. He said the only incremental money, was money collected from the taxes paid for the new added value which was above and beyond what was being collected now. He said the cities and counties will not lose a dime of present taxes. He asked her if she realized the present taxable value was froze?

Julie Hacker said she understood that, but they felt a project should be able to stand on its own, and within 5 years be 100% back on tax rolls.

Representative Stella Jean Hansen asked if tax increment money was to produce more taxes within a district, would this project have to be within the tax increment district? Mr. Barrett said no, the funds would have to be used for project economic infrastructure development projects within the district, that are for the district. He said that except for a small amount of money which might be used for administration, the money have to go back into the district.

Representative Hansen asked, if you issued bonds for an industrial park that was outside the tax increment district, would that fit the parameters of tax increment law? Mr. Barrett said yes, there could not be an overlapping of an existing urban renewal tax increment district with an industrial district. He said that was included in the statutes. He said that area must be zoned for heavier life industry, and that generally takes it out of downtown areas.

Representative Hansen said it would not be of any use to a community unless they had that kind of a situation within their increment district. Mr. Barrett said no, it was very useful for communities that didn't have a tax increment district. He said any community that had an industry wanting to come in, could draw up an

increment district before that industry came in, then they could make further development. He said they didn't need to have an existing urban renewal increment district to do an industrial increment district.

Representative Hansen asked the present duration for increment money? Mr. Barrett said it was basically it was a ten year statute, unless it was extended by bonding.

Representative Wallin asked where added value came in, because most industrial parks he thought of were warehouses? Mr. Barrett said the industrial parks didn't have added value now, and there were a number of reasons new value adding needed pursued in a rational way. He said one of the critically important tools was to have the infrastructure. He said most communities were not positioned for growth for that. He said the secondary value adding industry was the process of making the products, and that was where your light support industry went. He said that if a little guy wanted to start a value adding industry, he couldn't do it without the infrastructure. He said today's world market required more, than our previous satisfaction of being exporters of commodities.

Representative Blotkamp asked for an explanation to the tax increases and responsibilities? Mr. Barrett said, basically, you created a tax increment district, obtained your base tenant, collected taxes, and the tax money could be used to put in roads. He said maybe the 2nd year you could add the water system, the 3rd year could provide a sewage treatment plant, and so on. He said, through all this, communities were trying to attract other businesses, each of which added to the capacity to strengthen the infrastructure. He said the property taxes in that district were kept for use in that district, to enhance the development of that district.

Representative Blotkamp asked if those who owned the property, paid the taxes? Mr. Barrett told him yes.

Senator Williams asked, if a business started on the outside edge of the district, what would their taxes be? Mr. Barrett said the infrastructure may or may not raise the value of that particular property. He said any business started outside of the tax increment district, increased in value just as it normally would, and the taxes went for all of the usual things, not into the increment district.

Senator McLane asked if this was just for starting a company, or could a business expand into this district? Mr. Barrett said an expansion into the district would be fine, because it applied to any growth in the district.

Representative Simon asked if Montana had any zoning that was not light, or heavy industrial? Representative Simon said, on page 3, section 3, line 22, it said zoned for light or heavy industrial. He said that if we had other types of industrial zoning beyond that, it seemed those words were superfluous. Mr. Barrett said they could be left out and that would be fine.

Representative Simon said pages 8 and 9, section 9, concerned the different types of land acquisition. He said they all sounded like land acquisition to him, and he was trying to understand the difference between land acquisition and acquisition of infrastructure deficient areas. Mr. Barrett said there was no difference between number (1) and (6), but originally it was to stand alone in a section of the law, so there was reason to state it. He said that since that original drafting, it had been melded into existing statute. He said (8) allowed local governments to assemble land for development and then resell it, keep it, lease it. He said it gave power, similar to powers found elsewhere in chapter 42, which were not shown in this bill.

Representative Simon asked if a value added park, would accept an industrial company that wasn't a value added type company, into the park? He asked if they were to be turned down, were they required to pay full taxes to be applied to the total taxing districts, and be excluded from the tax increment district? Mr. Barrett said the bill, as it was, would not preclude a non value adding entity from being included in increasing the value of the district. He said he felt they would improve the tax valuation of the district. He said the bill stated the purpose of the district must be to attract secondary value adding industrialization, and the money must be invested primarily in the infrastructure.

Representative Simon asked if the first person who applied to the district wasn't a value adding company, would the district sponsors be liable for suit, for violating the intent of the law. Mr. Barrett said he thought local governments could set up any series of regulations, establishing what the purpose of the park would be.

Mr. Barrett told Representative Wallin he didn't think the provisions of this bill applied to high tech parks. He said the infrastructure was totally different, and their requirements were different. He said you could take an empty, existing industrial park, apply this, and utilize the resources in increment, if the infrastructure was adequate. He said there were some benefits to existing parks, but the primary benefits were to places where there was no development. He said it was also possible to take an existing industrial park that wasn't full, and do an expansion of their infrastructure.

Closing by Sponsor: Senator Thayer said this was a good hearing, and he appreciated the cross reference of support. He presented a letter of support from the Gallatin Development Corporation, exhibit #6, and one from the Great Falls Chamber of Commerce, exhibit #7.

He said that if they did nothing, and didn't pass a bill like this, we would just be standing still. He said that if there was a piece of land that was not utilized, no one benefited, and this bill set up a vehicle that would attract industry, and provided an anchor to get the cycle started. He said Montana had so many raw products, that we could have a lot of small companies employing 10 to 20 people. He said the bill was a good vehicle and he recommended it, with the proposed amendments. (Exhibit #1)

Announcement: House Chairman Pavlovich thanked the Senate for including them in the hearing. He stated the House Committee could not take executive action on SB 472, until the bill reached the House, and the rules were suspended. He adjourned the House committee.

DISPOSITION OF SENATE BILL 472

Discussion: None

Amendments and Votes: Senator Lynch made a motion to adopt the Amendments, in exhibit #1, to SB 472. (Exhibit #1) The motion Carried Unanimously.

SENATE COMMITTEE ON BUSINESS AND INDUSTRY

April 12, 1989

Page 10 of 11

Discussion: Chairman Thayer said the language of "light or heavy industrial" was common language, and maybe it was in there to differentiate. He said that when you get into zoning matters, terms of this type are probably necessary.

Recommendation and Vote: Senator Lynch made a motion SB 472 DO PASS AS AMENDED. The motion Carried Unanimously.

DISCUSSION OF HOUSE BILL 765

Announcement: Chairman Thayer said Speaker Vincent had sent word to ask the committee to hold up executive action on HB 765, they would have to take action on Friday. He said he suspected the administration was offering some amendments, and a compromise was trying to be worked out. He said the House would have to suspend the rules to accept that bill anyway, so he thought this was the committees opportunity to accommodate the bill, by allowing time for compromise.

DISPOSITION OF SENATE JOINT RESOLUTION 21

Discussion: Senator Lynch told Senator Williams he thought the cost of the studies would be about \$8,000, because the Council was recommending that only three studies be funded.

Recommendation and Vote: Senator Lynch made a motion SJR 21 DO PASS. Senator Williams seconded the motion. The motion Carried Unanimously.

DISPOSITION OF HOUSE BILL 600

Recommendation and Vote; Senator Williams made a motion HB 600 BE CONCURRED IN.

Discussion: Chairman Thayer said the testimony was that the administration felt that this would not be cost effective, and that it may cause some problem. They had expressed that it may be the right direction, but the wrong vehicle, and needed a lot of work.

ROLL CALL

BUSINESS & INDUSTRY COMMITTEE

DATE 4/12/89

51st LEGISLATIVE SESSION 1989

NAME	PRESENT	ABSENT	EXCUSED
<u>SENATOR DARRYL MEYER</u>	✓		
<u>SENATOR PAUL BOYLAN</u>	✓		
<u>SENATOR JERRY NOBLE</u>	✓		
<u>SENATOR BOB WILLIAMS</u>	✓		
<u>SENATOR TOM HAGER</u>	✓		
<u>SENATOR HARRY MC LANE</u>	✓		
<u>SENATOR CECIL WEEDING</u>	✓		
<u>SENATOR JOHN "J.D." LYNCH</u>	✓		
<u>SENATOR GENE THAYER</u>	✓		

Each day attach to minutes.

SENATE STANDING COMMITTEE REPORT

April 12, 1989

MR. PRESIDENT:

We, your committee on Business and Industry, having had under consideration SB 472 (first reading copy -- white), respectfully report that SB 472 be amended and as so amended do pass:

1. Page 9, line 17.

Following: "district"

Insert: "; and

(11) the provision of direct assistance to secondary, value-adding industries to assist in meeting their infrastructure and land needs within the industrial district"

2. Page 9, line 21.

Following: "increment"

Insert: "derived from an urban renewal area"

3. Page 9, line 23.

Strike: "or industrial infrastructure development projects"

4. Page 9, line 25 through page 10, line 1.

Strike: "or industrial infrastructure development costs"

5. Page 10, line 2.

Following: "7-15-4289."

Insert: "The tax increment derived from an industrial district may be pledged for the payment of revenue bonds issued for industrial infrastructure development projects or of general obligation bonds, revenue bonds, or special assessment bonds issued to pay industrial district costs described in 7-15-4288 and 7-15-4289."

AND AS AMENDED DO PASS

Signed: _____

Gene Thayer, Chairman

W.C.
4/12/89
3:12 PM

ccrsb472.412

Amendments to Senate Bill No. 472
First Reading Copy

Requested by Evan Barrett
For the Committee on Business and Industry

Prepared by Mary McCue
April 12, 1989

1. Page 9, line 17.

Following: "district"

Insert: "; and

(11) the provision of direct assistance to secondary, value-adding industries to assist in meeting their infrastructure and land needs within the industrial district"

2. Page 9, line 21.

Following: "increment"

Insert: "derived from an urban renewal area"

3. Page 9, line 23.

Strike: "or industrial infrastructure development projects"

4. Page 9, line 25 to page 10, line 1

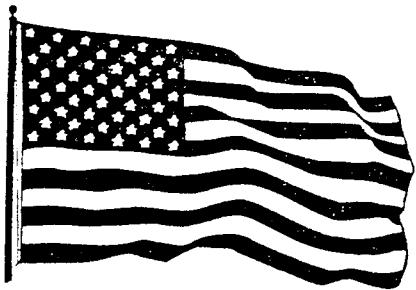
Strike: "or industrial infrastructure development costs"

5. Page 10, line 2.

Following: "7-15-4289."

Insert: "The tax increment derived from an industrial district may be pledged for the payment of revenue bonds issued for industrial infrastructure development projects or of general obligation bonds, revenue bonds, or special assessment bonds issued to pay industrial district costs described in 7-15-4288 and 7-15-4289."

EXHIBITS WERE MISNUMBERED. THERE ARE NO EXHIBITS NOS. 2-4 FOR THIS DAY.



**Missoula County
Freeholders Association**

**Organized 1977
Incorporated 1984
Working For You!**

Missoula County Freeholders Association, Inc.
Box 7643 • Missoula, Montana 59807-7643

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 5
DATE 4/12/89
BILL NO. SB 472

April 12, 1989

To: Senator Gene Thayer and members of
Business and Industry Committee

Re: S.B. 472

Our organization stands opposed to SB 472 because we see this proposal as a classic example of the ROB PETER TO PAY PAUL scenario.

We ask that you first ask yourselves a question-----

Do you believe that taxes assessed and collected for a certain purpose should be distributed and be spent for that purpose?

During our tenure as observers of the legislative process we observe various tax beneficiaries pleading for more money--local government, schools, public employees, etc. Tax-increment financing compounds the problems of these agencies and increases the tax load on the taxpayers.

We understand and believe that added-value concept is essential to our state's economy but tax-increment financing is not the way to achieve that goal because it diverts funds from already-established agencies into a new agency not directly related, collects funds for one purpose and uses it for another.

Further, it is our position that economic development projects should stand on their own and that it is the obligation of the legislature to set up a situation in the state that would level the taxes and make this place attractive to business without skimming tax dollars from local governments and schools. We support tax-incentives for new industry but the projects should stand on their own and be fully on the tax rolls within a five year period.

page two

SENATE BUSINESS & INDUSTRY
EXHIBIT NO. 5 pg. 2
DATE 4/12/89
BILL NO. SB 472

Section 8 -----all mill levies are applied to the tax-increment provision and bond issues for construction of schools and other projects are not exempt thus causing a higher debt-service for the remaining taxpayers of the district. We understand that all mill levies are applied to the district. This tax-increment district as it exists in Missoula now yields approximately 1 million dollars per year and roughly 55% of the money in the fund was collected on levies for the schools. A recent bond issue in Missoula will yield another bonanza for the agency while the schools are spending reserve funds and trying to keep their programs intact.

Please give this a NO vote.

GALLATIN DEVELOPMENT CORPORATION
P.O. BOX 1114
BOZEMAN, MONTANA 59771-1114
(406) 587-3113

April 11, 1989

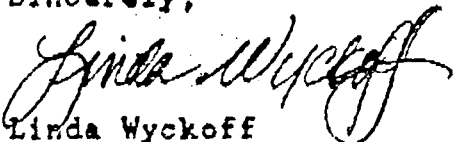
Senator Gene Thayer, Chairman
Business and Industry Committee
~~Capital Station~~
Helena, MT 59620

Dear Senator Thayer:

I am pleased to represent the Gallatin Development Corporation in supporting the proposed legislation to establish Tax Increment Financing Industrial Districts.

The extension of existing bonding mechanisms to include industrial districts under the proposed law represents a progressive step in economic development in Montana. The development of local infrastructures to support value-adding industries is an important prerequisite to the diversification of Montana's economy. We join other economic development organizations state-wide in wholeheartedly recommending you support this legislation.

Sincerely,


Linda Wyckoff
Executive Director

LW/jb

CC: Senator Paul Boylan

58 472

EXHIBIT NO. 7
DATE 4/12/89
BILL NO. SB 472

**GREAT
FALLS AREA
CHAMBER OF COMMERCE**

P.O. BOX 2127
926 CENTRAL AVENUE
GREAT FALLS, MONTANA 59403
(406) 761-4434

April 12, 1989

TO: The Senate Business & Industry Committee

FROM: Roger W. Young, President,
Great Falls Area Chamber of Commerce

SUBJECT: Tax Increment Financing Industrial Districts SB472

The Great Falls Area Chamber of Commerce supports the passage of SB472 which would authorize municipalities to create tax increment financing industrial districts which would allow cities like Great Falls to finance necessary industrial infrastructure encouraging the attraction, growth, and retention of secondary value adding industry.

We have discussed this proposed legislation with City officials who have likewise expressed their support for this bill.

Although Great Falls has no immediate plans for creating such a TIF industrial district, we do recognize its potential.

cc Cascade County Delegation

